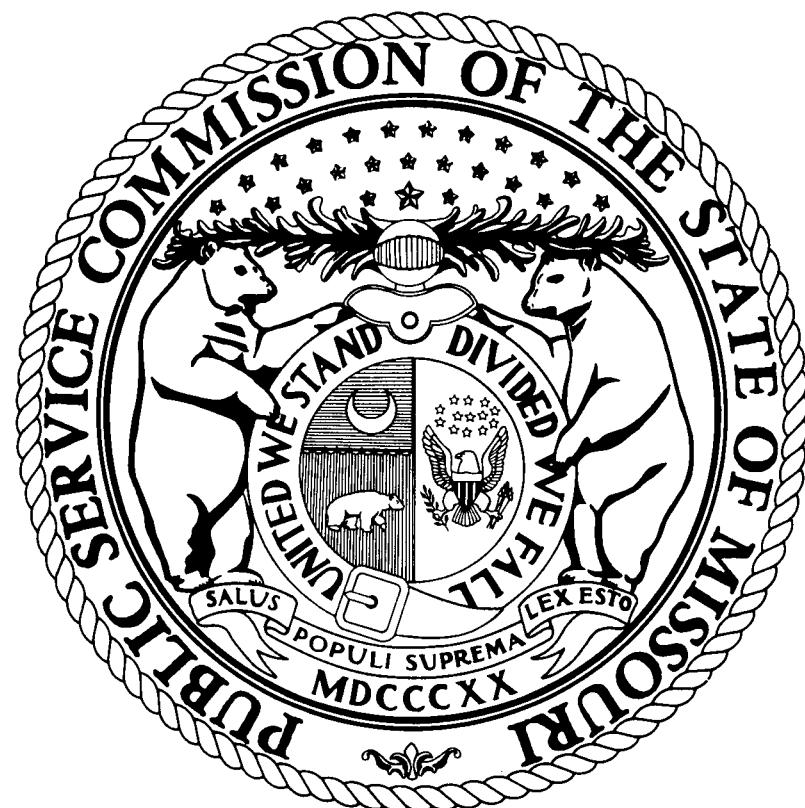
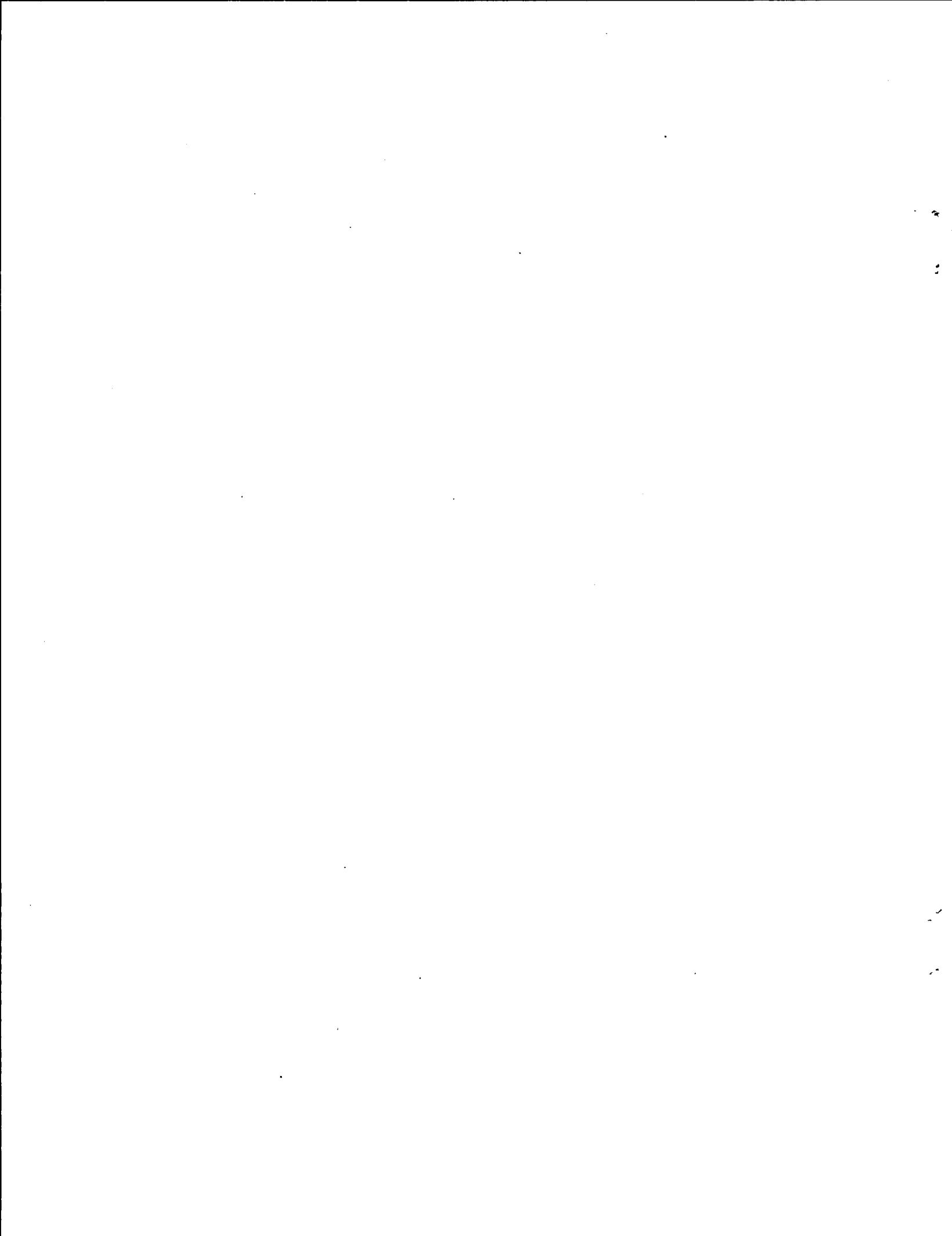


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**MISSOURI
PUBLIC SERVICE
COMMISSION**

Annual Report 1976-1977





Missouri Public Service Commission

Area Code 314
751-3234

P.O. BOX 360
JEFFERSON CITY
MISSOURI 65102

June 8, 1978

Commissioners:

CHARLES J. FRAAS, JR.
Chairman
HUGH A. SPRAGUE
STEPHEN B. JONES
LEAH BROCK McCARTNEY
ALBERTA C. SLAVIN

R. MICHAEL JENKINS
Secretary

THOMAS A. HUGHES
General Counsel

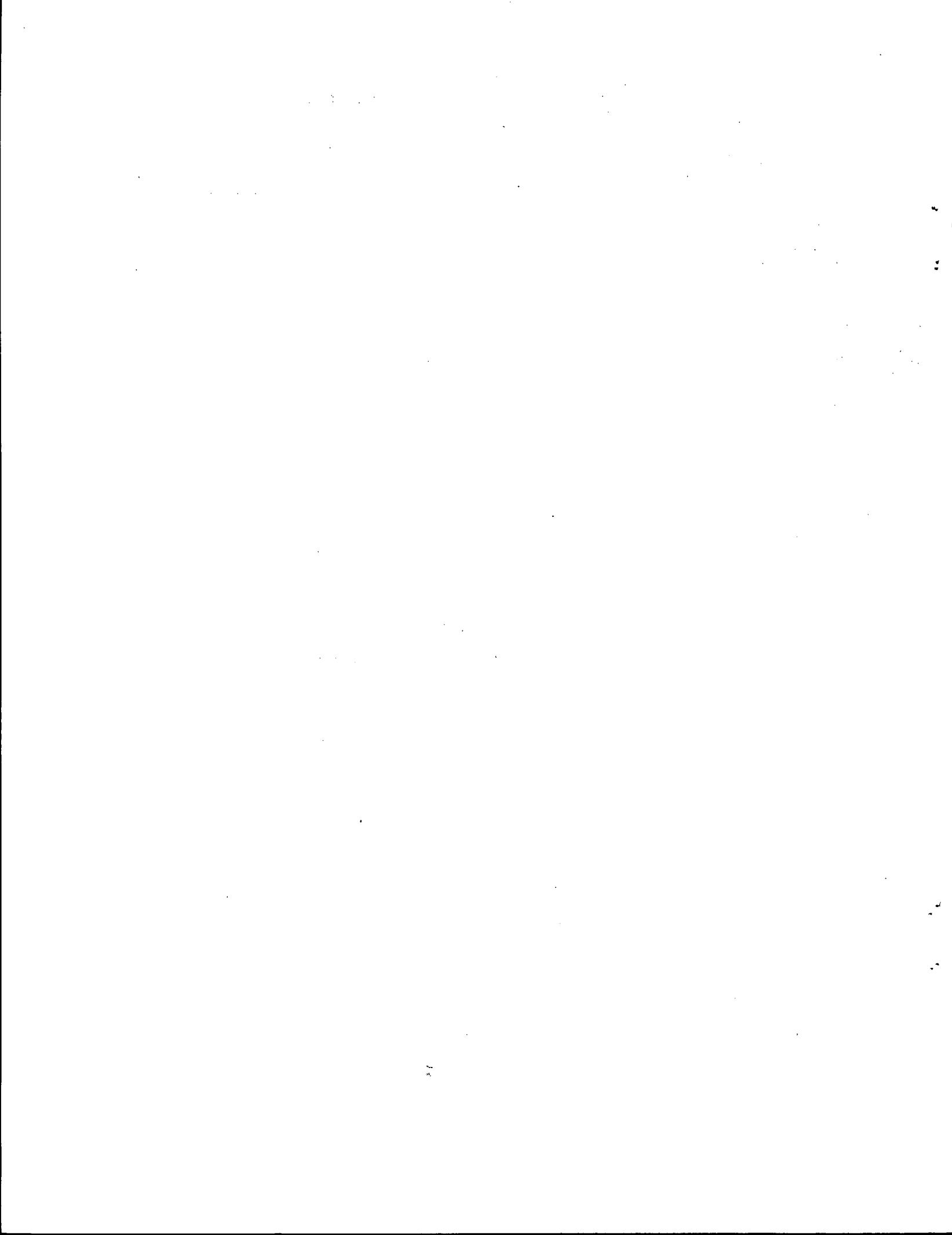
TO: The Honorable Joseph P. Teasdale, Governor
and
The General Assembly of the State of Missouri

On behalf of the Missouri Public Service Commission,
I submit to you its annual report for the fiscal year July 1,
1976 through June 30, 1977.

Respectfully submitted,

Charles J. Fraas, Jr.

Chairman



MISSOURI
PUBLIC SERVICE COMMISSION
Annual Report 1976 - 77

James P. Mulvaney, Chairman
Stephen B. Jones, Vice Chairman
Leah Brock McCartney, Commissioner
Hugh A. Sprague, Commissioner

Leland B. Curtis, Counsel
Robert L. Gilmore, Secretary



INTRODUCTION

This Annual Report of the Missouri Public Service Commission for the 1976-1977 fiscal year is presented in four sections:

I. Responsibilities. A summary of the Commission's responsibilities in regulating utility, transportation and mobile home and recreational vehicle companies.

II. Organization and Budget. This section presents information concerning the framework of the Commission and staff, the source of the funds for its operations and the amounts spent.

III. Significant Developments. Brief accounts of the major events and activities of the Commission during the year are contained in this section.

IV. Operations. The activities of each of the divisions and departments of the Commission are discussed in this section.

CONTENTS

I. Responsibilities	
Purpose	1
Rates	1
Complaints	2
Company Review	3
Rules and Regulations	3
Service Applications	3
II. Organization and Budget	
Status	4
Commission	4
Members of the Commission	4
Hearing Examiners	5
Publications Commission	5
Staff	5
Budget	5
Organization Chart, 1976 - 77	7
III. Significant Developments	
Rules	8
Consumer Offices & Hotline	9
CWIP	9
IRS	10
Transportation Study	10
Transportation Rates	10
Peak Alert	11
Workshops	11
IV. Operations	
Transportation Division	12
Operations Department	12
Rates Section	12
Operating Rights Section	13
Insurance Section	14
Auditing Section	14
Enforcement Department	14
General Counsel	15
Utility Rates Division	16
Accounting Department	16

Rates – Engineering Department	16
Rate Review & Tariff Section	16
Depreciation Section	17
Field Service Section	17
Rates Finance Department	18
Administrative Division/Secretary	19
Office of the Secretary	19
Public Information Office	19
Internal Accounting Section	19
Reporting Department	19
License Section	20
Electronic Data Processing Department	20
Utility Research and Planning Division	21
Utility Services Division	22
Customer Services Department	22
Sewer Services Section	22
Electric Section	23
Telephone Section	24
Selective Audits Section	24
Compliance and Services Department	24
Gas Safety Section	24
Water and Sewer Section	25
Railroad Safety and Compliance Section	25
Management Services Department	26
Mobile Home and Recreation Vehicle Division	27

SECTION I. RESPONSIBILITIES

Purpose

The Public Service Commission regulates:

The rates, service and safety of operation of utility and transportation companies.

The safety of operation of rural electric cooperatives.

The manufacture and sale of mobile homes and recreational vehicles.

Utility and transportation services operated by governmental bodies or service districts are exempt from Commission regulation.

The work of the Commission generally covers five areas:

Rates

Complaints

Company Review

Applications for authority

Promulgation of rules and regulations

Each of these is discussed briefly through page 3.

Rates

The rates charged by utility and transportation companies are subject to Commission approval before they can be put into effect. The tariff sheets containing the rates, as well as the companies' rules and regulations, are on file in the Commission office and in the companies' offices, and are open to the public.

In considering the rates of utility companies, the Commission must use two standards. One, the rates must be reasonable for the consumer. Two, the rates must allow the company to earn a reasonable return for investors. In balancing the welfare of the consumer and the company, the Commission is guided by the evidence presented by all involved in the case as well as by the law and court decisions. Commission decisions may be appealed to the courts.

Utilities which want to change rates must notify the Commission at least 30 days before the change becomes effective. If the change is an increase, the Commission usually suspends the effective date. By law, a suspension can last as long as 10 months. During that suspension, the staff and other parties involved have time to study the proposed change. The Commission may decide to conduct hearings during the suspension period.

If a company proves that it needs higher rates immediately to avert financial hardship, the proposed rates may be conditionally approved by the Commission until there's an investigation and hearing. When an interim increase is granted, the Commission usually includes a provision that requires a refund to the consumer if the interim increase proves to be excessive.

Responsibilities

Rate case hearings are conducted in the Commission hearing room in the Jefferson Building and are open to the public. In many rate cases, as well as other cases, the Commission holds hearings in other communities so customers may conveniently testify in the case. These hearings are also helpful to the Commission in obtaining information about a company's service.

The rates of bus and truck companies differ from those of utility companies in that all transportation companies charge the same rate for similar services, and the companies' need for revenues is determined on the basis of income and expenses rather than return to the shareholder. The transportation companies usually file for rate changes as a group and a representative sample of companies is selected from the group. The operating experience of the sample companies is the basis for evidence presented by parties in the case, on which the Commission makes its decision. In other respects, the proceedings are similar to those for utility rate cases.

Complaints

When a consumer is not satisfied with the service provided by a regulated company, or he needs information about his service, he should go first to the company. He may make the complaint or request for information in person, by letter or by telephone, and should accompany it with pertinent facts to support the complaint or request. He does not need to have an attorney to make a complaint. In most cases, the company will adequately respond to the complaint or request.

If the consumer believes the response is not adequate, he may bring the matter to the Commission. A complaint may be submitted informally — in person, by telephone or letter — or it may be filed formally. An informal complaint, which is the most common, is handled by the Commission staff through discussion with the company and complainant. If this is unsuccessful, the staff may submit the complaint formally to the Commission.

A formal complaint is in written form and in most instances requires a written response by the company, followed by hearings before the Commission. A consumer or group of consumers may file a formal complaint if they believe the circumstances of their problem are such that the informal complaint procedure would not be sufficient to resolve it.

In the fall of 1976, the Commission opened consumer service offices in St. Louis and Kansas City for the convenience of customers in those areas who have complaints or need information. The St. Louis office is in Room 219, 4625 Lindell 63108. The telephone number is (314)367-5234. The Kansas City office is in Room G-33 of the State Office Building, 615 East 13th Street 64106. The telephone number is (816)274-6816.

The Commission in April, 1977 activated a toll-free telephone line, dubbed the "Consumer Hotline." The telephone number is (800)392-4211.

Consumers outside the Kansas City or St. Louis areas can make complaints or other requests through the hotline number, or make their inquiry to the Commission in Jefferson City. The office is on the 9th and 10th floors of the Jefferson Building, 100 East Capitol, 65101. The mailing address for the Public Service Commission is P.O. Box 360, Jefferson City, Missouri, and the telephone number is (314)751-3234.

Responsibilities

Company Review

The regulated companies are required to comply with rules and regulations they file with the Commission subject to Commission approval, as well as with rules and regulations promulgated by the Commission and state laws. Compliance is monitored through examination of annual reports the companies are required to file; through investigations of complaints; through routine and special safety investigations, and audits.

Major utilities submit financial data each month to the Commission for use by the staff in a surveillance program made possible by electronic data processing. This material is used for reports on the companies' financial situation. These reports show whether companies are staying within the guidelines set by the Commission and indicate when a company may be expected to file an application to change its rates, or may need to be investigated for charging excessive rates.

Staff members in the various departments conduct routine inspection of company facilities and equipment, and investigate accidents to determine if any regulations or laws have been violated. If violations are found, the Commission may seek penalties in court against the company.

Rules and Regulations

In many areas, the Commission has issued* rules and regulations to specify the responsibilities of the regulated companies in regard to rates, service and safety. The regulations, which formerly were called General Orders, are now contained in the Code of State Regulations that was adopted by the General Assembly in 1975. The Commission regulations are found under Title 4, Division 240.

When amending regulations or considering new ones, the Commission issues them in proposed form for examination by the companies and other interested parties, who are given an opportunity to submit comments. After reviewing the comments, the Commission may hold a hearing at which the various parties may submit evidence in regard to the regulations. In some cases, several hearings and several drafts of the regulations are needed before a decision is made to adopt or dismiss the regulations.

The companies also have regulations, which must be approved by the Commission before they may be included in the operating tariffs of the companies. The process for adoption of these company regulations is much the same as it is for Commission regulations. The Commission can, as in the case of billing practices for electric, gas and water companies, adopt regulations superseding those of the companies.

Service Applications

The Commission has jurisdiction over the area a company serves, the type of service it provides and in the case of transportation companies, the routes they use. The service areas of the major utilities are fixed and cannot be changed without the consent of the utility. These utilities file applications from time to time for authority to build additional plant, for authority to finance and to change their regulations. Applications for initial authority are filed occasionally by water or sewer utilities that are established to serve new or expanding subdivisions.

The greatest number of applications come from bus and truck companies who wish to have additional authority or amend their existing authority. Whether the request for authority is from a utility or transportation company, notice of the application is sent to officials, other companies and other interested parties who may wish to oppose or support it. In most cases, a hearing is held for submission of evidence on which the Commission makes its decision on the application.

SECTION II. ORGANIZATION AND BUDGET

Status

The Public Service Commission is administratively a part of the Department of Consumer Affairs, Regulation and Licensing (CARL) but operates independently. The Public Counsel, who represents the general public in proceedings before the Commission, is also part of CARL but is separate from the Commission.

Commission

The five members of the Commission are appointed by the Governor, with the advice and consent of the Senate, for six-year terms. The terms are staggered so that no more than two expire in any year. The Chairman of the Commission is designated by the Governor. Traditionally, no more than three of the members of the Commission are of the same political party as the Governor. The Commissioners are required by law to devote full time to their duties and to live in Jefferson City.

Members Of The Commission

Chairman James P. Mulvaney, 44, was appointed to the Commission in 1975 to fill the remainder of the term of William R. Clark, who resigned. He was reappointed and named chairman in 1977. His term ends in 1983. He was a member of the Missouri House of Representatives when appointed to the Commission.

Vice Chairman Stephen B. Jones, 39, became a member of the Commission in 1975 for a term which expires in 1981. He was named Vice Chairman in 1977. He was a Kansas City realtor prior to his appointment to the Commission, and was a member of the Missouri Transportation Commission.

Commissioner Hugh A. Sprague, 46, was appointed to the Commission in 1975 to a term ending in 1979, filling the vacancy left by the resignation of Chairman James F. Mauze. He previously was legal assistant and press secretary to former Governor Christopher S. Bond, and earlier served as prosecuting attorney of Buchanan County.

Commissioner Leah Brock McCartney, was appointed to the Commission in 1977. Her term expires in 1983. She served as a municipal judge in Kinloch prior to her appointment. She also was a tax attorney with the Federal Internal Revenue Service, and was an attorney-advisor in the U.S. Treasury Department.

**Commissioner A. Robert Pierce, Jr.*, 38, was appointed to the Commission in 1973 and served as chairman from 1975 until 1977. Prior to his appointment, he was city attorney of Cape Girardeau. He was a member of the Missouri House of Representatives from 1969 to 1972.

***Commissioner Charles J. Fain*, 58, was appointed to the Commission in 1965 and reappointed in 1971. Before becoming a member of the Commission, he was in private law practice. He served two terms in the Missouri House of Representatives.

*Resigned May 2, 1977.

**Term expired May 22, 1977.

Organization and Budget

Hearing Examiners

Hearing Examiners, lawyers, are assigned to each Commissioner to assist in conducting hearings, preparing orders and legal research. The large workload of the Commission does not permit each Commissioner to hear every case. An examiner may preside at a hearing with the same authority as a Commissioner, including ruling on points of law, the admissibility of evidence and administering the oath to witnesses.

The object of a hearing is to obtain all relevant evidence that has a bearing on the case from all parties involved in the proceeding. When the record is complete, the Commissioners and examiners review the evidence and prepare a draft order. The order is then discussed by the full Commission at the daily agenda meeting and is then voted on, or set aside for revision. As with the orders of other administrative agencies, the Commission's decision may be appealed to the courts.

The Commissioners and examiners completed hearings on 252 cases during the fiscal year, and wrote 181 final reports and orders.

Publications Commission

The Publications Commission is a statutory body, consisting of the members of the Commission and the Commission Counsel, that is responsible for publishing the *Public Service Commission Reports*. The Reports contain significant cases selected for publication as an aid for those interested in the work of the Commission. A hearing examiner, designated the Reporter of Opinions, assists the Commission in selecting cases for the Reports and editing the material. The Reports are sold on both a single-purchase and subscription basis at a price determined by the cost of printing.

Staff

The balance of the staff consists of approximately 200 persons, most of whom are professionals in the fields of accounting, engineering, law, economics, management, rates and enforcement. Effective July 1, 1976, the Commission began operating under the organizational chart shown on page 7. The principal difference is that the Utility Division was reorganized along rates and service lines, and the Division of Mobile Homes and Recreational Vehicles was separated from Transportation.

Budget

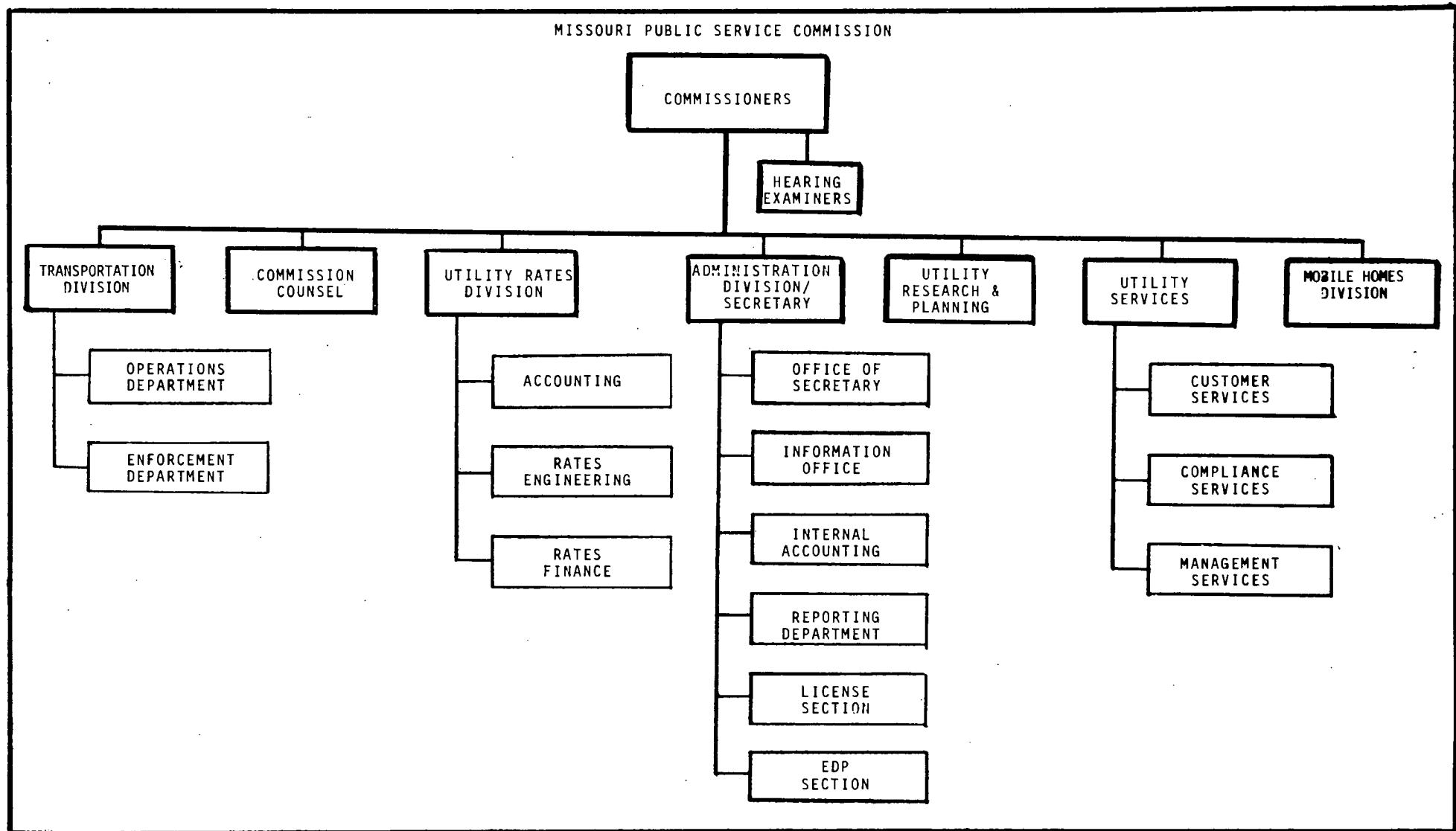
The budget, which totaled \$4,189,044 for 1976-77, is appropriated by the General Assembly largely from two funds, the Public Service Commission Fund and the Highway Fund. The Commission Fund is supported by assessments from railroads and utilities, and the Highway Fund receives revenues from the sale of licenses to bus and truck companies. Following appropriation from the two funds, any balance in the Commission Fund is carried over to the next year, and any balance in the Highway Fund is transferred to the Highway Department.

A small part of the Commission budget comes from General Revenue to support the Division of Mobile Homes and Recreational Vehicles. The amount appropriated from General Revenue is less than the total deposited into that fund from sale of licenses for mobile homes and recreational vehicles and other fees collected by the Commission. The remaining part of the budget is the State Grade Crossing Fund, which is supported by a tax on railroad rolling stock, and is used by the Commission for installation of protective devices at grade crossings.

Organization and Budget

The breakdown of the receipts and budget is shown below:

<i>Receipts</i>	<i>1975-76</i>	<i>1976-77</i>
Utility Assessments	\$1,891,055	\$2,853,095
Transportation Licenses	1,577,366	1,596,920
Mobile Home and Recreational Vehicle Seals	136,182	156,772
Authority Fees and Miscellaneous Earnings	<u>48,762</u>	<u>57,501</u>
Totals	\$3,653,365	\$4,663,888
<i>Budget</i>		
Commission Fund	\$1,967,047	\$2,529,551
Highway Fund	978,281	1,331,603
General Revenue - Mobile Homes and Recreational Vehicles	73,396	77,890
Grade Crossing Fund	<u>250,000</u>	<u>250,000</u>
Totals	\$3,268,724	\$4,189,044



SECTION III. SIGNIFICANT DEVELOPMENTS

Significant developments during the fiscal year are summarized through page 11.

Rules

The Commission in June, 1977 ordered telephone companies in Missouri to modify billing practices for the benefit of consumers, effective October 1, 1977.

Major points in the new rule are:

- Customers must be informed by a telephone company of the cheapest service available when they apply for service.
- Customers may make arrangements with the company to have the due date of their bills changed, or will be allowed up to 21 days in which to pay the bills.
- The bill issued to the customer must show itemized charges for basic service, toll charges, taxes and franchise fees and the due date. The bill also must carry a telephone number customers may call to make inquiries.
- Companies may not require a deposit from a customer unless the customer has been delinquent in paying his bill.
- When a deposit is collected, it cannot exceed an amount equal to the charge for two months' service. Interest of 6 percent must be paid on the deposit and the deposit must be refunded in 12 months if the customer has a satisfactory payment record.
- Telephone companies must have employees available during normal business hours to accept customer inquiries within a reasonable time.
- Within a reasonable time after accepting an inquiry, companies must have appropriate personnel available to handle the inquiry.
- Companies must furnish customers with a statement that explains in layman's terms the rights and responsibilities of the company and the customer. The statement may be published in the telephone directory or furnished separately.
- Telephone companies may discontinue service only at times when their offices are available for handling reconnection of service.
- Discontinuance of service may be postponed up to 21 days if a telephone is needed to obtain emergency medical assistance for a person under a doctor's care.
- The rules also establish procedures for the handling of disputes between customers and companies and the filing of complaints with the Commission.

Significant Development

The new rules which cover telephone billing practices are similar to rules proposed by the Commission in December, 1975 for electric, gas and water utilities but gas and electric utilities legally challenged the rules which were proposed for them. After the fiscal year ended, the Commission and the gas and electric utilities reached a compromise which should permit the billing practice changes to go into effect by the summer of 1978.

The Commission in April, 1977 adopted another significant rule which would prohibit telephone companies in Missouri from serving more than four customers per line by the end of 1980. The one company excepted was Continental Telephone, and Continental must make the conversion by 1981. The Commission took that position because a significant portion of telephone complaints are generated by eight and ten-party service.

In March, 1977, the Commission proposed a rule which would set up strict procedures utilities must follow before gas, electric or water service could be terminated during winter months. The cold-weather cutoff rule became effective after the fiscal year ended and was in force for the 77-78 winter.

Consumer Offices And Hotline

Two consumer service offices were established by the Commission during the fiscal year, one in Kansas City, the other in St. Louis. In Kansas City, the office is located in the Missouri State Office Building, 615 East 13th Street, and the telephone number is (816)274-7816. In St. Louis, the office is located in Room 219, 4625 Lindell and the telephone number is (314)367-5234.

The offices were established to provide general information, advise customers of their rights when dealing with a utility, and to help the customer who feels that a utility has not satisfactorily responded to problems.

The Commission also installed a toll-free telephone in the Jefferson City office to deal with consumer problems. The Consumer Hotline number is (800)392-4211.

The Hotline is answered 8 a.m. to 5 p.m. Monday through Friday, except on state holidays. The Kansas City and St. Louis consumer service offices are operated on the same schedule as the Hotline.

Utility consumers who have complaints are asked to first try to resolve the problem with the utility involved, but if that fails, the customer should contact the nearest Consumer Services office. If a utility customer with a problem finds it inconvenient or would have to make a long distance telephone call to reach the Kansas City or St. Louis office, the toll free line in Jefferson City should be used.

CWIP

In November, Missouri voters adopted a law which forbid utilities from including in their rate base the cost of construction work in progress (CWIP). Kansas City Power & Light Company had to reduce its annual revenue by \$4.35 million and Union Electric by \$1.36 million.

For the average customer, the KCPL cut amounted to about 64-cents a month, and for the average Union Electric customer, the rate reduction per month was about eight-cents.

Significant Development

IRS

A ruling by the Internal Revenue Service in February, 1976, had an adverse affect on customers of Missouri water and sewer companies.

The ruling said that main extension fees charged by the utilities would have to be treated as income and would be subject to income tax.

During the fiscal year, six water companies and three sewer companies sought and were granted approval to increase their main extension fees to cover the income tax.

A bill was introduced in Congress to overturn the IRS ruling. If the ruling is overturned, the companies will revert to the previous system and any money held for taxes will be returned.

Transportation Study

The Commission in June launched a comprehensive study of the regulation of bus, truck and railroad companies in the state.

The study will cover the operation of the Commission and the transportation companies, the laws of Missouri and other states as well as federal laws, and the agreements Missouri has with other states on licensing of carriers.

The Commission now has jurisdiction over the operation of about 11,000 bus, truck and railroad companies.

The study will be conducted by the University of Missouri-Columbia under the direction of Dr. Richard G. Boehm. It will be performed in two phases. In the first phase, the study team will evaluate Commission and carrier operations, the laws governing them and other aspects of regulation.

A tentative set of operational guidelines will be prepared from the findings of phase one. In the second phase, recommendations for improvements will be discussed with the Commission and the operational guidelines will be completed.

The first phase should be finished by June, 1978. The second phase, which may begin shortly before phase one is completed, should last about 15 months.

Transportation Rates

Inflation continues to affect transportation rates and charges. After a hearing in May 1977 the principal bus companies were authorized to increase their fares by about 10% and express charges by about 25%.

By an Order issued May 2, 1977 the general commodity truck companies were authorized on an interim basis to increase less truck load rates by about 8% and truckload rates by approximately 7%. These increases were the same as authorized on like traffic by the Interstate Commerce Commission and a hearing will be held later to determine if the increase should be made permanent.

After a hearing in April household goods movers were authorized increases ranging up to 25% to the rates and charges for moving household goods.

Peak Alert

During the fiscal year, the Commission ordered a study of whether a "Peak Alert" for electric utilities might help reduce demand on electric systems at times of greatest use.

Missouri's rural electric cooperatives used a peak alert system in the winter of 1976-77 and reported some success. The cooperatives notified customers through the news media of the impending peak and the notice asked customers to reduce consumption as the systems approached capacity.

Hearings on the peak alert proposal for regulated utilities were conducted in Jefferson City during May, shortly before the fiscal year ended.

Workshops

The Commission initiated a program during the fiscal year to give citizens of the state an opportunity to discuss issues involving the PSC's regulatory responsibilities. This was accomplished through a workshop concept.

The atmosphere was informal in contrast to the formal setting necessary at hearings.

There were eleven workshops during the year and the concept seemed to be appreciated by the public. More workshops are planned in subsequent years.

The Commission decided to use the workshop as a vehicle to learn from consumers their suggestions and feelings about social issues involved in utility and transportation regulation. There was a general topic pre-arranged for each of the workshops but the discussion was not limited to that issue.

Among the general topics was how electric rates can promote more efficient use of energy, a class of rates for persons with low or fixed income, natural gas supplies and the Federal Power Commission's role in regulating the prices of natural gas, and how citizens can more fully participate in the rate making process.

All workshop meetings were scheduled through various citizen and consumer organizations in conjunction with Representatives and Senators of the districts in which the workshops were conducted.

SECTION IV. OPERATIONS

The activities of the divisions and sections of the Commission during the fiscal year are discussed in this section. A diagram of the organization is shown on page 7.

Transportation Division

The **Transportation Division** is involved in the regulation of rates, safety of operation and service of bus and truck companies. It is responsible for monitoring the rates and service of railroad companies, while railroad safety is assigned to the *Safety and Compliance Department* of the **Utility Division**.

The *Operations Department* has four sections, which concentrate on Rates, Operating Rights, Insurance and Auditing.

The Rates section reviews proposed tariffs and schedules filed by companies and then recommends whether the Commission should adopt them, reject them or hold hearings before making a decision.

Carriers who wish to change their rates must submit their proposed tariffs at least 30 days prior to the requested effective date in order to allow sufficient time for review by the staff. Proposed schedule changes must be filed at least 15 days prior to the effective date desired by the carrier. In some circumstances, but only with the approval of the Commission, the notice requirement can be waived.

If the Commission believes more information is needed on the proposed rate or schedule change, or if objections to the proposal are filed by opponents of the request, the tariffs can be suspended. Hearings are held to give all parties a chance to submit evidence on which the Commission bases its final decision.

Rate compliance audits initiated in the prior fiscal year were continued this year to detect rate errors or violations of tariff rules. A total of 29 audits made during the year indicated the following types of violations, which were subsequently corrected by the carriers.

A. Twenty-four household goods carriers were audited with these results:

	<i>Violations</i>
Bills of Lading	315
Rate undercharges	115 – (\$3,010.95)
Rate overcharges	217 – (\$4,029.34)

As a total of 556 bills were audited about sixty percent were found to be in error.

All follow-up investigations have been completed resulting in correction of the violations discovered, billing of the undercharges and refunding of the overcharges.

B. Five general commodity carriers were audited with these results:

Operations

	<i>Violations</i>
C.O.D.	18
Bills of Lading	6
Tariff	9
Collection of Charges	149
Leasing	15
Loss and Damage Claims	157
Rate undercharges	18 - (\$47.43)
Rate overcharges	5 - (\$35.15)

As of this date all follow-up investigations have been completed resulting in corrections of the violations discovered, billing of the undercharges and refunding of the overcharges.

The volume of this section's work is shown below:

	<i>1975-76</i>	<i>1976-77</i>
Railroad tariffs received and filed	3,457	3,573
Truck tariffs received and filed	3,131	3,417
Bus tariffs received and filed	102	107
Bus time schedules received and filed	53	56
Service complaints handled	42	26
Telephone inquiries	1,383	879

The Operation Rights section deals with the authority the carriers have as to the type of cargo they may carry and the geographic area in which they may operate. A carrier may have authority to haul only scrap iron between Kansas City and Springfield, while another may have authority to carry any general cargo to any points in the state. A carrier's authority is determined on the basis of the need for the service and the ability of the carrier to provide the service.

The authority of each carrier operating within Missouri is maintained in the files of this section. If a carrier wishes to obtain or modify its authority, it must submit an application with the Commission. The Operating Rights section reviews the application and notifies other carriers of it. A hearing is held by the Commission to take testimony from the applicant, any opponents or supporters, and the Operating Rights Staff. The application is granted or denied on the basis of the evidence received at the hearing.

Carriers that operate between states are regulated by the Federal Interstate Commerce Commission in Washington, D.C. If they wish to travel through Missouri, however, they must obtain a permit from the Public Service Commission. An interstate carrier who wants to make hauls wholly within Missouri must obtain intrastate authority from the Public Service Commission.

Private carriers who do not operate for hire are exempt from Public Service Commission regulation.

The activities of the Section are shown below:

	<i>1975-76</i>	<i>1976-77</i>
Applications for intrastate authority	151	257
Initial grants of authority	124	140
Additional grants of authority	—	84
Grants of Temporary Authority	107	76
Transfers of Intrastate Authority	164	255
Interstate Permits Issued	1,769	1,661
Interstate Permits Revoked	789	1,036

Operations

The Insurance section keeps track of the insurance coverage of carriers on cargo and for liability which they are required by law to have. If cargo insurance is not needed by a carrier, for example in the case of dump trucks, the Commission may waive the requirement.

Carriers conducting hauls between states are regulated by the Interstate Commerce Commission in Washington, D.C. but must file proof of liability insurance with the Public Service Commission before they are allowed to operate through Missouri.

In the event a carrier permits his insurance to lapse, a notice is sent to the carrier and the Insurance section by the insurance company. While the insurance is not in effect, the carrier's authority is suspended until the insurance is renewed. The carrier may be required to show cause why his authority should not be revoked if the insurance is not renewed within a reasonable period of time (usually, about six months).

The work of the section is shown below:

	<i>1975-76</i>	<i>1976-77</i>
New certificates received and filed	11,449	10,624
Cancellation notices received	6,357	6,364
Carriers suspended due to cancellation	2,823	3,223
Carriers reinstated upon renewal	1,619	1,898

The Auditing section, when required, performs audits of regulated carriers when they file rate cases or in connection with other investigations. It also reviews the annual reports of operations that each carrier operating within the state must file. Some carriers are required to file quarterly reports for examination by this section. If the required reports are not filed the carriers' certificates are subject to suspension. The certificates of 264 carriers were temporarily suspended for this reason during the fiscal year.

Major bus and truck rate cases are usually filed by a group of carriers because all of the companies must charge the same rate when prescribed for the same type of service. In these cases, a number of carriers are selected as a representative sample, and those carriers are audited by this section. If it believes the sample submitted by the carriers is inappropriate, it may use a different set of carriers. The results of the audit are presented along with other evidence at the Commission hearing on the application.

Additional work is performed by this section in the area of financial and statistical analyses of carriers that are used by the Commission and Staff to monitor the performance of companies. This section also reviews carriers' finances in regard to transfers of authority.

The scope of the section's work is shown below:

	<i>1975-76</i>	<i>1976-77</i>
Quarterly reports audited	716	658
Annual reports audited	1,267	1,238
Report correspondence	847	581
Rate Case analyses	3	5
Transfer reviews	111	162

The Enforcement Department, through routine inspection and investigations resulting from complaints, determines whether bus and truck companies are in compliance with Commission regulations and state transportation laws. The investigator's work is often performed in conjunction with personnel of the State Highway Patrol and other law enforcement agencies.

Operations

Those who are found in violation of regulations or transportation laws may be prosecuted by local authorities, or the case may be presented to the Commission for hearing. Should the Commission decide that a carrier is guilty of violations, it may direct the Commission Counsel to sue for penalties in the courts.

Typical violations are failure to comply with safety regulations, operating beyond the scope of authority granted by the Commission, operating without authority and charging rates different from those prescribed by the Commission.

The investigators performed the following duties during the two fiscal years:

	<i>1975-76</i>	<i>1976-77</i>
Carriers contacted	3,538	5,246
Vehicles inspected	11,500	8,728
Investigations conducted	1,584	2,803
Arrests by law enforcement authorities as a result of investigators work	376	442
Bus stations inspected	107	130
Transferees investigated	24	60
Compliance surveys	139	38
Informal complaints	303	339
Cases completed	89	91
Settlements	26	64
Settlements and fines received	\$11,800	\$20,600
Warnings sent on delinquent accident reports	203	12
Cease and Desist Orders	—	10
Penalty Suits Authorized	—	6

General Counsel

The General Counsel represents the staff of the Commission in hearings before the Commission. This involves reviewing the evidence assembled by the staff to determine the position to be taken on the issues, presenting witnesses, cross-examining the witnesses of other parties, preparing briefs and participating in oral argument.

The General Counsel is legal adviser to the Commission, and represents the Commission in the courts and before Federal regulatory agencies. Reports and orders issued by the Commission are studied by the General Counsel's staff for legal sufficiency. This department participates in the drafting of proposed rules and regulations and in establishing procedures for dealing with the regulated companies.

When a company is found by the Commission to have violated its rules and regulations or statutes governing transportation and utility companies, the General Counsel sues in court for penalties against the violator.

The workload of the office is shown below:

	<i>1975-76</i>	<i>1976-77</i>
Hearings before the Commission	331	256
Court Cases	94	91
New Appeals	37	17
Appeals Concluded	—	—
Penalty Cases	0	5
Federal Power Commission Cases	—	18
Nuclear Regulatory Commission	1	1

Utility Rates Division

The **Utility Rates Division** consists of three departments, *Accounting, Rates Engineering and Rates Finance*. Division personnel work on all aspects of rate cases.

The *Accounting Department* has two objectives, to audit utility companies in preparation of staff evidence for rate cases, and review of company books periodically to monitor compliance with the Uniform System of Accounts.

The Department also performs special audits as circumstances require, such as when companies request authority from the Commission to issue securities.

Rate cases demand the most time and effort on the part of the *Accounting Department*. The audit of a company for a rate case lasts from a few weeks to several months, depending on the size of the company. In those cases where a company is held by a holding company that maintains the books and records outside of Missouri, the company must bear the expenses of the accountants conducting the audit.

When the audit is completed, the results of the audit, along with the written testimony of the accountant or accountants who performed it are filed with the Commission. Other members of the staff use the information developed by the audit in preparation of their testimony and exhibits.

The accounts, along with other members of the staff, participate in the case to assist the staff attorneys and may also be called for cross-examination.

The *Accounting Department* performed 43 rate case audits requiring 33,771 man-hours during the 1976-77 fiscal year. A total of 45 miscellaneous audits and compliance audits were made, involving 4,054 man-hours. In the previous year a total of 76 audits requiring 34,060 man-hours were undertaken.

The *Rates-Engineering Department* in the Division of Utility Rates is responsible for most of the rate-related functions of the Division which require the expertise of professional engineers and other technicians. There are three Sections in the Department, Rate Review and Tariff, Depreciation, and the Field Service Section.

The Rate Review and Tariff section is staffed with engineers and technicians who maintain the official tariff files of utility companies regulated by the Commission. The tariffs contain rates, rules and regulations under which each utility is required to operate.

All proposed changes in rates, rules and regulations are reviewed by this section and recommendations are made to the Commission regarding the disposition of the proposed change.

Purchased Gas Adjustment (PGA), the procedure used by regulated gas distribution companies to modify rates to compensate for the increases or decreases in the price of natural gas as authorized by the Federal Power Commission are reviewed and monitored by this section. The PGA procedure is discussed elsewhere in this report.

Electric Fuel Adjustments (FAC), the procedure by which electric utilities modify rates to compensate for changes in the price of fuel, are also monitored by this section, as are other procedures which affect rates and which result from decisions of other regulatory bodies, primarily the Federal Power Commission. The FAC is also discussed elsewhere in this report.

The personnel in this section review the rate design, or a procedure used to set the price for various types and levels of utility service, to assure that it is established in an equitable manner and to insure that the revenues produced by the proposed rates are at the levels authorized by the Commission. In the event a proposed change in rates, rules or regulations results in a formal case before the Commission, the personnel of this department provide expert testimony relating to the proposed changes, the rate design used in the specific instance, verification of the total revenues and the revenue impact of the proposed filing.

Personnel in this section also provide input into rule making activities of the Commission and other procedures which have a bearing on rates, rules or regulations of utility companies under the jurisdiction of the Commission. Its personnel also work with other staff departments and utility company personnel to insure compliance with the rules of the Commission with respect to rate and tariff matters.

The Depreciation section is responsible for the procedures used by regulated utility companies to establish levels of depreciation for equipment and facilities used in the provision of utility service. Since depreciation is an expense utilities recover in charges to customers, it is an important factor in the establishment of utility rates. It also affects other expenses utilities are allowed to recover, such as taxes. The establishment of proper depreciation rates requires a combination of engineering expertise, judgment and experience.

The Depreciation section examines utility depreciation adjustments proposed by utility companies and either makes changes as required or undertakes a depreciation study of the company, based on the initial examination.

This section also assists small water, sewer and telephone companies in the establishment of proper depreciation schedules when, in the judgment of the staff it would be uneconomical for the small utility to hire outside help to provide this important function.

Another important function of the Depreciation section is to aid the Commission in establishing a proper rate base for a utility company. In making a decision in a rate case, the Commission examines and determines the original cost rate base and the fair values rate base of the company.

The rate base is the amount of investment on which the company is allowed to earn a return. The original cost rate base is determined by subtracting the total depreciation reserve from the total original cost of the facilities used in the provision of utility service. Trended original cost less depreciation is the value of the plant brought up to current prices, less depreciation. This factor is determined by applying accepted cost indices to the original cost investment for various classes of utility rent.

The trended original cost less depreciation figure is then used by the Commission in establishing a fair value for the company facilities committed to public service. When a utility presents fair value evidence in a rate proceeding, the Depreciation section generally conducts a separate study of the company and presents its independent findings of trended original cost less depreciation to the Commission in the form of expert testimony and supporting exhibits.

The Field Service section aids the Commission to establish equitable rate levels and structures by its on-going investigation of utility plant records. Its functions consist of the review of the books and records of utility companies to insure that they are properly established and maintain in accordance with the system of accounts established for the particular type of company studied.

The activities of this section include the determination of original cost of facilities used by utilities in those instances where adequate books and records are nonexistent. The results of these original cost studies are used by the Commission to determine the rate base of the utility. These studies are conducted almost entirely in the company service area so there is assurance to the Commission that plant which is contained on the company's books and records is actually being used to provide service to the public.

The Field Services section has designed two procedures for small utility companies to insure that utility companies receive credit for only that amount of plant which is actually used to provide service to the public. These procedures are called the "Plant Record Review" and the "Continuing Property Record Review."

These procedures insure that the small utility companies are familiar with the Commission's procedures for accounting for utility plant. These procedures also insure that addition of property to the utility plant will be correctly recorded in the future.

In addition to its major programs, the personnel in the Field Services section also aid the Commission and other departments in areas which require technical expertise in areas such as inventory control investigations, meter tests and on-site identification of utility facilities. Field Services personnel also participate in formal cases before the Commission relating to determination of original costs, certification of new water and sewer utility companies, and small water and sewer company rate cases.

The *Rates Finance Department* recommends to the Commission what rate of return on investment a utility should be allowed to make when the utility comes to the Commission for a rate increase.

The size of the rate of return determines how much profit an individual company will be allowed to earn on its investment or rate base. In many cases there is a major difference between the return, or profit level, requested by the company and the return which the *Rates Finance Department* recommends.

Extensive financial research is performed by the Department and submitted in the form of written testimony to document the recommended rate of return. Company rate of return witnesses submit similar studies and following cross-examination concerning the prepared testimony, the Commission decides what level of profit is fair and reasonable for the company to earn.

Several court cases provide guidelines to which the Commission must adhere when setting rates of return.

In addition to submitting testimony relative to fair rates of return the Office also obtains monthly financial data from all major utilities under the jurisdiction of the Commission. This data is examined monthly to insure that excessive returns are not being earned and is used in various types of financial analysis relative to the individual firms.

As a corollary to examination of the required profit level the Office conducts continuing studies relative to the bond rating status, or credit rating, of Missouri utility companies. This is done to insure that the ability of these companies to obtain future financing will not be unduly hampered by too low a bond rating.

The Office is involved in continuous data gathering activities in order to remain abreast of levels of economic activity, the profitability of regulated and non-regulated industry generally, interest rate movements, inflation trends and stock market activity. Further the Office maintains extensive financial data for 125 large non-regulated corporations and 200 major electric, gas, telephone and water utilities.

During the fiscal year, the *Rates Finance Department* performed a detailed financial analysis on 15 utilities.

Administration Division/Secretary

The Secretary to the Commission is the administrative coordinator for all seven Divisions and handles official business of the Commission. Also, there are six Departments in the Division, *Office of Secretary, Information, Internal Accounting, Reporting, License and Electronic Data Processing* (EDP section).

The *Office of the Secretary* processes applications filed with the Commission, maintains the general files, and prints Commission orders.

Orders and regulations issued by the Commission are made official by the certification of the Secretary and the affixing of the seal.

Copies of orders and other documents in each case are kept in numbered files that are open to the public. The file contains applications and motions, correspondence, orders and for those cases that are heard, copies of the transcript and exhibits.

Recent cases are maintained in original form, while older cases are on microfilm. Those interested in having copies of the documents may purchase them for a fee to cover reproduction costs.

Cases are assigned to members of the Commission by the Secretary, who also schedules hearings and maintains the docket, or hearing calendar. The majority of hearings are held in the Commission hearing room on the tenth floor of the Jefferson Building in Jefferson City. The remainder of the hearings, most of them in rate cases, are held in other parts of the state so that consumers can testify more conveniently.

The *Public Information Office* responds to inquiries from reporters and others who need information about the Commission's work. Two manuals were completed during the fiscal year which provide a concise representation of Commission operations for the news media and the general public. The *Public Information Office* publishes the annual report and assists the Commission and other sections with writing and editing reports and speeches. A total of 329 news releases were issued this year, while in the previous year 375 were issued.

The *Internal Accounting Section* takes care of the Commission's finances, and its duties include assembling the budget, processing expense accounts and bills for goods and services. It conducts semi-annual audits of the *License Section* and *Mobile Homes and Recreational Vehicle Division* to check their receipt of funds from the sale of Commission seals.

The assessment of utilities and railroad companies for funds from which a portion of the Commission's budget is appropriated by the General Assembly is performed by this section. The budget and the amount assessed are shown on page 6. This section also handles authority fees paid by companies when they issue securities and miscellaneous monies received by the Commission.

The *Reporting Department* performs work similar to that of court reporters in the judicial system. The reporters record verbatim the proceedings before the Commission and prepare transcripts for inclusion in the case files. Copies of transcripts, which usually are completed within 30 days of a hearing, may be purchased at a price of 25 cents per page.

Operations

Activities for the past two years include:

	1975-76	1976-77
Hearings	340	252
Hearing hours	1,142	970
Transcript pages	42,255	33,159

The *License section* issues to bus and truck companies the license stickers that must be carried on each vehicle operating in Missouri. Receipts from these sticker sales make up a portion of the funds from which the Commission's budget is appropriated by the General Assembly. The budget and the receipts from these sales are shown on page 6.

Two types of licenses are sold: the annual, which costs \$25, and the three-day, which costs \$5. The three-day license is used by interstate carriers who operate in Missouri infrequently. Replacements for damaged stickers may be obtained for \$1.00. Licenses may be purchased by mail or at the Jefferson City office. Some truck stops are linked to the Jefferson City office with facsimile transmitters through which three-day licenses may be purchased.

Sales of licenses are shown below:

<i>Bus</i>	1975-76	1976-77
Annual license	2,275	2,382
Three-day license	508	663
<i>Truck</i>		
Annual license	52,004	52,917
Three-day license	43,471	42,370
Replacements	17	5

The *Electronic Data Processing Department* (EDP) provides computer services to the Commission Staff. That includes a wide variety of statistical and complex regulatory data.

EDP again was one of the most innovative computer groups in Missouri State Government. During the year, remote access equipment was updated to include a powerful key-to-disk data entry package.

The update permits EDP to perform all computer tasks without the use of computer cards. The result is a greater volume of data throughput, more efficiency and actual lower equipment cost.

The Department initiated efforts to provide the Commission staff with interactive computer processing, the first EDP unit in Missouri State Government with such capability.

This concept allows Commission economists, engineers, accountants and rate experts to communicate directly without the computer in a querying mode on various types of statistical models with continued assistance of EDP staff.

The capability adds a new dimension to regulatory capability as it provides the Commission staff with much of the same powerful computer tools used by regulated utilities.

These new concepts have allowed the EDP efforts to increase substantially.

	1975-76	1976-77
Computer jobs processed	32/day	138/day
Computer hours used	204	367
Computer data storage in millions of characters	48	99

Utility Research & Planning Division

The goal of the Utility Research and Planning Division is to establish the capability to forecast utilities' future demand so that future capital requirements and the effect of their cost on prices can be predicted.

To accomplish this goal several areas of activity are pursued:

Load Research Studies — Detailed, hour-by-hour data on the energy usage patterns of a representative sample of an electric utility's customers is collected for load research studies. (Special meters are used to collect this data over the period of a year or more.) During the last couple of years, several Missouri electric utilities have initiated load research programs. Division staff is monitoring the progress of these programs and the data will be used in restructuring rates.

Forecasting — The Division is preparing forecasting models for each electric and gas utility service area. The models focus on forecasting peak kilowatt usage, kilowatt hour usage and load duration curves. A major goal is the development of more rational, objective, testable models, thereby reducing reliance on the more subjective criteria that is common in many of the forecasting models currently used by utilities.

Planning Model — In altering the design of rate structure changes in consumer behavior will result. These changes can have profound effects on the capital planning design of utilities. This Division is developing a planning model which will attempt to predict the changes and their implication on capital planning, thus providing the Commission the information necessary to evaluate future rate structure modifications.

Rate Cases — The rate case is the medium through which the results of research is implemented. This Division played an active role in major rate cases, focusing on such topics as rate restructuring, load research programs, and marginal cost pricing.

Research Institute — Plans have been developed in conjunction with the University of Missouri and the utilities for a State Research Institute modeled roughly along the lines of the national Electric Power Research Institute concept, but focusing on problems more specifically germane to Missouri.

Income-Usage Survey — The Division developed (with the help of the Department of Rural Sociology of the University of Missouri) a statewide Residential Electrical Usage Survey during the year. This survey, consisting of approximately 50 questions, covers major appliances, usage patterns, demographic data (including income), and conservation practices. The survey is being conducted on a utility service area basis, sometimes by telephone, sometimes by mail. Income data from the survey is matched to energy usage data supplied by the utility. This helps the Division in determining what kind of relationship there is between energy usage and income, which is useful in determining how to restructure rates.

Operations

Directory Assistance Charges — The Division conducted a study on the concept of charging for directory assistance telephone calls. Since data showed that only a small proportion of telephone customers made extensive use of the directory assistance (DA) service, the Division suggested that the costs for DA be borne by those people who use it. The Commission followed this suggestion, ordering Southwestern Bell to institute a noncumulative, monthly, five-call allowance for DA per residence, with a charge of 20 cents for DA calls over that number. Also, no DA charges will be made to customers who cannot use the telephone directory. The Commission found that the company revenue requirement would be reduced from \$27,249,000 to approximately \$20,349,000 by the adoption of the DA plan. Thus, Southwestern Bell can reduce its monthly charges to individual subscribers. Approximately 94% of Bell's customers will benefit from the plan.

The following chart reflects activity of the Utility Research and Planning Division during the fiscal year:

	<i>Load Research</i>	<i>Forecasting</i>	<i>Planning Model</i>	<i>Income-Usage Survey</i>	<i>Rate Case</i>
Arkansas-Missouri Power Co.	X				X
Citizens Electric Corp.					
Empire District Electric Co.	X	X	X		X
Gas Service Co.					X
Kansas City Power & Light	X			X	X
Laclede Gas Co.					X
Missouri Edison Co.	X				
Missouri Power & Light	X				
Missouri Public Service Co.			X		
Missouri Utilities Co.	X				
St. Joseph Light & Power	X	X	X	X	X
Sho-Me Power Corp.	X				X
Union Electric Co.	X			X	

Utility Services Division

The Utility Services Division, established July 1, 1976, monitors utility construction and replacement to ensure compliance with safety codes and standards, investigates consumer complaints, and analyzes managerial effectiveness of companies regulated by the Commission.

The *Customer Services Department* has four sections, Consumer Services, Electric, Telephone, and Selective Audits.

The Consumer Services section deals with complaints or other matters concerning service that are brought to it by utility consumers. In August, 1976, the Commission opened a Consumer Services office in St. Louis. An identical office was opened in Kansas City the following month. In April, 1977, the Commission activated a toll-free Jefferson City telephone line for consumers.

Consumers are advised to give utilities an opportunity to voluntarily resolve problems. If the consumer is not satisfied with the utility's response, a complaint should then be filed with the Commission.

Complaints are usually taken care of informally by the Commission staff; if they are not, the problem is submitted to the Commission as a formal complaint.

The formal complaint procedure requires a written response to the complaint by the company, followed if necessary by hearings. A consumer or group of consumers may initiate a formal complaint if they believe their problem cannot be resolved informally.

Operations

In either approach, it's helpful if the consumer supplies details about the complaint to the Commission, such as copies of bills, or dates and times of equipment trouble or outages.

An informal complaint may be submitted in person, in writing or by telephone. At no point in the complaint process is it necessary for the consumer to hire an attorney.

Following is a breakdown of complaints handled by this section during the fiscal year:

<i>Office</i>	<i>Telephone</i>	<i>Electric</i>	<i>Gas</i>	<i>Water</i>	<i>Sewer</i>	<i>Other</i>	<i>Total</i>
Jefferson City	656	677	512	94	23	70	2,032
St. Louis (open 8-76)	189	632	688	90	31	51	1,681
Kansas City (open 9-76)	370	312	608	0	0	67	1,357
Hotline (activated 4-77)	129	65	63	31	13	219	520
Total	1,344	1,686	1,871	215	67	407	5,590

The Electric section deals with electricity demand, capability of companies to meet demand, exchange of power between companies in Missouri and with utilities in other states. In conjunction with the Federal Power Commission, members of this section work on national energy matters and participate in planning and operation of regional power pools, which make possible the exchange of electricity between companies.

The power pools routinely switch power from one area to another as utilities have surplus power to sell. This provides a system of reserves that may be called upon if a section of the network loses power as the result of an emergency.

The section administers Commission regulations on undergrounding of electric lines. This regulation require burial of electric lines in new subdivisions unless the terrain makes the procedure too expensive. In those cases, the companies may ask for a variance. The section makes recommendations to the Commission on a request for variance.

Applications for construction of power plants and transmission lines or other installations are similarly handled by the Electric section. The section also is responsible for checking the companies' compliance with safety codes.

Rural Electric Cooperatives are exempt from rate regulation by the Commission but they are subject to safety regulation and this section performs that function.

This section received 233 variance requests during the fiscal year, 209 from electric utilities, 24 from telephone companies. There were 28 field inspections as a result of the variance requests.

The section received 105 complaints of a technical nature concerning electric utilities and the complaints required 21 field inspections.

The staff participated in three meetings with the Federal Power Commission and other state government officials on power supply problems.

The staff took part in hearings involving location and installation of three oil fired turbines, location of six transmission lines and one electric underground case.

The staff investigated the Rural Electric Cooperative's peak alert program, a mobile home court providing electric service, extensive policies of electric utilities, voltage suppressors, safety code, electric utility company profile, lake crossing of a transmission line, and two electrical accidents.

Operations

The Telephone section handled 371 complaints during the year and 35 field trips were necessary to investigate 53 of the complaints.

During the past year, this section has worked with all telephone companies to upgrade telephone service from multi-party to at least four-party service or better.

The section, primarily a consumer complaint vehicle, has dealt with problems of Extended Area Service (EAS), boundary adjustments of telephone companies, private line requests, cost of service extension to remote areas, poor service, and quality of service.

The Selective Audit section, established by the Commission in April, 1977, will concentrate on the audit of specialized segments of utility management as well as the way utilities conduct their consumer service activities. Initially, the audits will use a three phase approach, current operating analysis, methods analysis and comparative analysis.

An audit of Union Electric's customer service department started in June, 1977 and should be completed in early 1978.

Before the Commission established the Selective Audit section, personnel now working in the section cooperated with people in the Management Services Department and completed a customer service audit of Laclede Gas.

The Compliance Services Department monitors operations of 19 gas, 75 water, 74 sewer utilities and 23 railroad companies to make sure they follow Commission safety rules and regulations.

There are three sections in the Department, Gas, Water & Sewer, and Railroad Safety and Compliance.

The Gas Safety section conducts routine inspections of the natural gas distribution companies in the state and makes investigations of gas-related accidents that result in a fatality, an injury or property damage of \$1,000 or more. Upon completion of the investigation, a report is submitted to the Commission on the circumstances of the incident, along with recommendations the staff may have for prevention of similar accidents.

Interstate natural gas pipelines and municipally-owned distribution systems are exempt from Commission regulation.

During the 1976-77 fiscal year, there were 18 accidents, all of which were investigated by the staff, compared to four the previous year, eight two years ago and eleven three years ago.

One gas utility paid \$20,000 into the school fund as a result of the staff's investigation into an explosion. The same company has replaced extensive portions of its distribution system and greatly increased its leak survey program as a result of the staff's recommendations.

As part of its routine inspections, the staff tries to examine, at least twice annually, the operational records of each utility, which are maintained in 52 locations within the state. In connection with these examinations, the staff inspects utility gas facilities in various communities. Any discrepancies found are reported to the utilities. If corrections are not made quickly, the matter is referred to the Commission and its legal staff for enforcement action.

The staff checks utility corrosion controls for prevention of pipeline leaks and their use of additives to give gas a distinctive odor for better detection of leaks. Natural gas in its pure form has no odor. The staff has reviewed an updated set of corrosion leak-history maps of most steel systems and will complete this project during the next fiscal year. After these reviews, the staff confers with the utility to recommend improvements in their corrosion control programs. The staff reviews monthly odorization reports submitted to the Commission by each company and makes field tests during inspections of each distribution system to insure that proper odorant levels are maintained at one-fifth the lower explosive limit of the natural gas being distributed.

Eleven of the eighteen accidents investigated were related to fracturing of cast iron distribution mains. The staff has begun accumulating information which may be useful in formulating recommendations to correct this hazardous situation. The information will necessarily include corrosion, backfill, third party activities, size and age of the cast iron pipelines. This particular project is not anticipated to be completed for three years.

The Water and Sewer Engineering section investigates service complaints which result from operations of 169 water and sewer systems. These systems are owned by 75 water utilities and by 74 sewer utilities. The staff investigated 307 complaints this year.

This section also reviews certification applications of proposed sewer and water utilities with primary emphasis on engineering and economic feasibility investigations. The section also reviews proposed boundaries of the service requested by new companies to make sure the boundaries don't overlap existing boundaries of other sewer or water utilities.

There were eight applications during the fiscal year from sewer and water utility firms for authority to do business in Missouri. All were approved.

This section investigates proposed routes for new collecting sewers or water mains where the utility may seek permission from the Commission to exercise its eminent domain rights. Five such cases were investigated during the year.

This section confers with regulated water and sewer utilities concerning operation and evaluation. There were 63 conferences and 31 systems were evaluated.

The section began this year to confer on rate matters with small water and sewer utilities. This procedure reduces hearing time for the Commission and saves customers money by reducing the cost of a rate proceeding. There were 16 cases processed this year, and a final order has been written in 14 of the cases.

The Railroad Safety and Compliance section enforces Commission rules and Missouri State statutes relative to railroad safety and the overall railroad operation within the State of Missouri.

Another important function of the staff is to promote and safeguard the health and safety of the motorists at all public grade crossings. In this regard we concentrate our efforts toward reducing grade crossing accidents by improving passive protection and by the installation of active protection. During the year there were 5,325 crossings surveyed by the staff members. In addition to providing active protection at 110 crossings there were 21 grade crossings abolished.

Three note worthy projects were initiated during 76-77.

Operations

1. Public Crossing Inventory on Computer. Crossing inventory program which will utilize the information formulated in the inspection of 5,325 crossings. Our computer tape containing all public crossings will be used in the following projects:

- A. To install a minimum of two reflectorized crossbucks at all public grade crossings not protected by active protection.
- B. Develop a priority index for funding active protection projects.

When completed, staff will be able to recall from the computer the protection, physical characteristics, traffic information and accident history of any of the 7,000 public crossings in the State.

2. Staff initiated an addition to Commission Rule 4 CSR 240-100-030, which was published in the March 1, 1977 issue of the Missouri Register. The new section requires railroad companies operating in the State of Missouri to maintain certain minimum distances from the near edge of railroad crossings to railroad rolling stock stored on sidings. The purpose of this rule is to reduce the potentials for train-auto collisions at grade crossings by eliminating hindrance to visibility in the form of railroad rolling stock stored on sidings.

3. Operation lifesaver program was started. The objective of this program is to reduce the number of accidents, fatalities and injuries at public grade crossings by concentrated and coordinated efforts by various state agencies and railroad industry organizations in the engineering aspects of crossing protection, the education of the public as to the laws and driving practices at grade crossings and the enforcement of existing laws concerning the use of grade crossings by vehicular traffic.

The following totals show activity totals for the section during the year:

Grade Crossing Inspections	5,325
Yard and Building Inspections	150
Accident Investigations	238
Equipment Inspections	20
Industrial Track Inspections	125
FR Track Inspections	103

The *Management Services Department* monitors managerial effectiveness and efficiency of companies regulated by the Commission.

The analysis includes a comprehensive review of the management systems and procedures currently employed by the companies as well as a thorough examination of the ability of such systems and procedures to meet the needs of the companies management in future years.

The analysis of management activities is commonly referred to as the Management Review. During the 1976-77 fiscal year, the Commission was involved with only one management review which required participation by a commercial management consulting firm. This particular study was the general review of Continental Telephone of Missouri which was completed in August, 1976. The remainder of the Commission initiated management reviews were conducted by the Management Services staff.

The following table illustrates those studies:

Operations

<i>Company</i>	<i>Type of Review</i>	<i>Start-Completion Date</i>
Missouri Utilities	General	5/76 - 9/76
St. Joseph Light & Power	General	8/76 - 2/77
Kansas City Power & Light	Project	
Iatan	Management	9/76 - 2/77
Kansas City Power & Light	Project	
Wolf Creek	Management	9/76 - 2/77
Union Electric-Callaway I & II	Follow-Up	
General Telephone of Missouri	Review No. 1	3/77 - 4/77
	General	4/77 - 9/77

The "General Review" is a comprehensive review of the entire operations of a company with emphasis placed on the abilities of the management systems to meet current and future needs.

The "Project Management Review" is a comprehensive review of the management systems and procedures used to plan, schedule and control the engineering, procurement and construction activities necessary for the construction of a power plant.

The "Follow-Up Review" is a comprehensive evaluation of the status of recommendations made in the original management review of a company or given function within a company.

The Mobile Home and Recreation Vehicle Division sets and enforces construction standards for manufacturers and dealers of that equipment.

Legislation was approved by the General Assembly in 1976 that allowed the Commission to contract with the Federal Department of Housing and Urban Development in order to act as agent in Missouri for enforcement of HUD regulations on mobile homes. In return, the Commission receives federal funds calculated on the basis of the number of mobile homes sold in the state.

Other legislation passed in 1976 requires registration of manufacturers and dealers who transact business in Missouri, and transferred from the State Health Department to the Commission the responsibility for mobile home tie-downs.

The division investigates complaints concerning construction or performance, and in the case of mobile homes, emplacement. Before units can be sold, they must bear stickers that indicate compliance with Commission regulations.

The number of stickers sold, along with other work statistics, are shown below.

	<i>1975-76</i>	<i>1976-77</i>
Complaints investigated	260	645
Units inspected	19,444	7,750
Dealer inspections	1,920	2,700
Manufacturer inspections	44	N/A
Vehicle stickers sold	19,444	8,410

